



DEPARTMENT OF THE NAVY
HEADQUARTERS UNITED STATES MARINE CORPS
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CMC
MAR 18 2019

From: Commandant of the Marine Corps
To: Secretary of the Navy

Subj: USMC FISCAL YEAR 19 (FY-19) – RAPIDLY ACCELERATING RISKS

Encl: Memorandum to Secretary of Defense through Secretary of the Navy: REQUEST FOR ASSISTANCE IN FUNDING FISCAL YEAR (FY)-19 HURRICANE REPAIRS dtd Feb 19 2019

1. Mr. Secretary, I am writing to seek your assistance in rectifying FY-19 budget shortfalls for the Marine Corps. As you know, the Marine Corps faces fiscal challenges without precedent. The inability to reprogram money and the lack of a supplemental for Hurricane Florence damage is negatively impacting Marine Corps readiness. While FY-19 was supposed to be a “good year” given an “on-time” enacted budget and higher topline, those positive attributes are now overcome by the negative factors below, imposing unacceptable risk to Marine Corps combat readiness and solvency. The decisions outlined in paragraphs 4 and 5 are difficult, and likely to gain the attention of both Congress and the press, but are nonetheless the types of hard decisions the Marine Corps must make to mitigate fiscal pressures in FY-19. The following are the unplanned and unbudgeted factors now defining FY-19:

- a. Hurricanes Florence and Michael
- b. OMMC Congressional mark just prior to the FY that includes significant reductions apportioned to Marine Reserve funding for multiple unit activations in support of the Global Force Management plan
- c. Unplanned/unbudgeted Southwest Border Operations
- d. Unplanned/unbudgeted Dynamic Force Employment (DFE)
- e. OSD(P) directed, but unfunded force increase to Marine Rotational Force-Darwin (MRF-D)
- f. Unplanned/unbudgeted Congressional mandate for aqueous free-forming foam (AFFF) upgrade
- g. Unplanned/unbudgeted basic allowance for housing (BAH) adjustments to privatized housing
- h. Unplanned/unbudgeted civilian pay raise
- i. Border security funding transfers, especially with respect to impacts on general transfer authority

2. As I highlighted in the enclosed 19 Feb 2019 memorandum to the acting Secretary of Defense through you, “[t]he effects of internal funding will rapidly accelerate throughout the rest of the Marine Corps as we realign funding of exercise plans, unit training, equipment readiness accounts, and investment accounts.” That assessment, from less than one month ago, was made given the assumption that we would be able to realign funding to rebalance risk to address the unplanned/unbudgeted conditions listed above through the regular order practice of above-threshold reprogramming. However, it is becoming increasingly unlikely that we will be able to reprogram funds in year of execution.

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3. We are grateful for your support and that of the Office of the Secretary of Defense (OSD) to date which has resulted in an additional \$443M of funding in FY-20 for hurricane building repair and the promise of \$1.7B in funding in FY-20 for hurricane building replacement. While these are positive actions with respect to FY-20, we had been counting on FY-19 relief in the form of two above threshold reprogramming (ATR) actions requests to Congress. These included an OSD ATR that would have provided \$400M of hurricane building repair funds and a USMC ATR in the amount of \$217M that would address the majority of the negative factors imposing unacceptable risk to the Marine Corps. It now appears that neither ATR will clear with Congressional approval. There is some discussion once again of an emergency Congressional disaster supplemental, but this will be the third time that such a Congressional measure has been proposed with the first two measures failing to pass. It has become clear that we must responsibly assume that, without your intervention, we will not receive any reprogramming relief in FY-19.

4. We are in a challenging situation where we are not receiving the fiscal support necessary to address the critical situation in North Carolina as hurricane season approaches, compounded with an inability to move money around to address emergent, year-of-execution, “must pay bills” primarily generated outside of the Marine Corps. The “rapid acceleration (of negative impacts) throughout the rest of the Marine Corps” forecast in the enclosure is now manifesting in the following negative outcomes which have been decisively cancelled or reduced:

- a. Alaska Exercise Midnight Sun cancelled and Exercise Northern Edge reduced
- b. II MEF participation in ITX 3-19 cancelled to include an infantry battalion, two artillery batteries, a tank company, light armored reconnaissance company, combat engineer platoon and truck platoon
- c. II MEF participation in Scotland Exercise Joint Warrior 1-19 cancelled
- d. Reduced maintenance expenditures for combat equipment during April in order to avoid \$6M in Operating costs

5. Absent necessary relief, the “rapid acceleration (of negative impacts) throughout the rest of the Marine Corps” will continue to manifest in the following cancelations:

- a. Arctic Expeditionary Capabilities Exercise slated for Adak
- b. De-scope Protramid, De-scope Fleet Weeks, Cancel Desert Scimitar, Cancel 4 x Dynamic Force Training
- c. De-scope Talisman Saber, cancel Khaan Quest 19, reduced participation in ITX 5.19, cancel Desert Canopy, cancel KMEP 19.03
- d. Cancel Indonesia Platoon Exercise, cancel MTWS-19 with Indonesia
- e. Ground equipment readiness funding will be scaled back \$2M affecting material readiness
- f. Cancel CARAT Indonesia 19, cancel support to MTX 6.19, cancel Guam DFT, cancel support to TALONEX 20.1, cancel support to ITX 20.1, cancel participation in WTI 20.1
- g. Potential Marine Corps Reserve mobilization cancellations in 3rd and 4th Quarter FY-19

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6. The overall impacts of these cancellations and expected cancellations will result in three extremely negative impacts to the joint force:

a. Combat readiness – Cancelled training and exercises in Twentynine Palms, Alaska, Scotland, or any other local training area will degrade the combat readiness and effectiveness of the Marine Corps. Marines rely on the hard, realistic training provided by these events to develop the individual and collective skills necessary to prepare for high-end combat, while simultaneously building the experience and leadership of the NCOs, SNCOs, and junior officers who will lead our Marines into harm's way. Although some effects can be mitigated, the experience lost by these units at a critical time in their preparation cannot be recouped.

b. Strengthened alliances and partnerships – Marines will not participate in exercises in Indonesia, Scotland, and Mongolia, and will reduce participation in exercises with Australia and the Republic of Korea at a time where we are attempting to double down on strengthening alliances and attracting new partners.

c. Solvency of the Marine Corps – the Marine Corps will incur additional levels of current year insolvency as we seek to dig into current year accounts to pay for hurricane recovery, software licenses, civilian pay, and other non-discretionary contractual obligations.

7. I request your support in two key areas that would dramatically mitigate this entire situation:

a. Actively support a “regular order” ATR of \$217M through OSD and with Congress – Your engagement with OSD and Congress to gain an exception for regular order actions necessary to run the business of the Department of Defense outside of other political considerations would obviate nearly every single negative consequence listed above.

b. Communicate to Congress our FY-19 hurricane shortfall – Your engagement to communicate our \$849M shortfall necessary in FY-19 to address hurricane recovery will be instrumental in informing Congress as they negotiate a new emergency disaster relief supplemental.

8. Cancelling or reducing key training events and exercises is not desired nor an easy decision, and one likely to draw attention from Congress and the press. However, without outside fiscal assistance, these measures are required to mitigate our FY-19 challenges. We greatly appreciate your support and that of the Department of the Navy. This support is much needed as we try and mitigate funding shortfalls that are impacting our critical modernization and readiness efforts.



Robert B. Neller



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FEB 19 2019

MEMORANDUM FOR THE SECRETARY OF DEFENSE

THROUGH: THE SECRETARY OF THE NAVY

Subj: REQUEST FOR ASSISTANCE IN FUNDING FISCAL YEAR (FY)-19
HURRICANE REPAIRS

Mr. Secretary, as you are aware, in September 2018, Hurricane Florence hit North Carolina and inflicted significant damage to Camp Lejeune, Marine Corps Air Station New River, Marine Corps Air Station Cherry Point, and to public-private housing. There was extensive damage to 913 military structures; 3,748 homes; infrastructure to include railways, roads, and the power grid; and to training areas. Marines, sailors, and civilians are operating out of severely compromised buildings. The combat readiness of II Marine Expeditionary Force – 1/3 the combat power of the Marine Corps - is degraded and will continue to degrade given current conditions. Total damage costs are estimated at \$3.5B which includes \$1.3B in building repairs and \$1.7B in building replacements. The remaining \$500M consists of operations and maintenance costs, as well as procurement costs to replace information infrastructure and end items. The total also includes \$47M of building repairs for Marine Corps Base Albany which suffered impacts from Hurricane Michael in Georgia.

We are currently self-funding recovery efforts, and the fiscal impact to the Marine Corps is significant. The total recovery cost is 9% of our annual budget; the building repair cost is 150% of our total annual building repair budget; and the building replacement cost is 4 years-worth of non-Guam MILCON. Realigning funds from other installations accounts is our only statutorily compliant option. We must continue the repair work as our current assessment of moderate risk to force/moderate risk to mission will move to high risk to both force and mission starting on 1 June of this year, which is the beginning of the next hurricane season. We have been working under the assumption of funding relief for the full cost of recovery from the Department and/or from Congress supported by an emergency supplemental request to Congress from the Office of Management and Budget. Our confidence in the expectation of funding relief has been compromised over the past few months. Absent Departmental and/or Congressional hurricane funding, we will be forced to pull funds from throughout the Marine Corps to continue recovery efforts ahead of hurricane season. The effects of internal funding will rapidly accelerate throughout the rest of the Marine Corps as we realign funding of exercise plans, unit training, equipment readiness accounts, and investment accounts. It is my understanding that given the emerging plan for Departmental reprogramming for other priorities, that our ability to transfer money will now be limited to only \$400M of transfer authority for entirety of FY19. This means that we will have to stop hurricane work in May which is unacceptable.

Mr. Secretary, I am asking for your assistance. The hurricane season is only three months away, and we have Marines, Sailors, and civilians working in compromised structures.

Your Marine Corps needs near term support for an additional \$1.3B of funds in FY19 to address its severely degraded posture in NC and GA and the combat power of II MEF for your joint force. Your assistance in securing an additional \$1.7B of MILCON funding and \$500M of other recovery funds for FY20 is critically important to secure the long term resilience of this particular aspect of your force.



Robert B. Neller
Commandant of the Marine Corps

CC:
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